

JMC Projects (India) Limited

BUY

CMP Rs52

Target Rs65

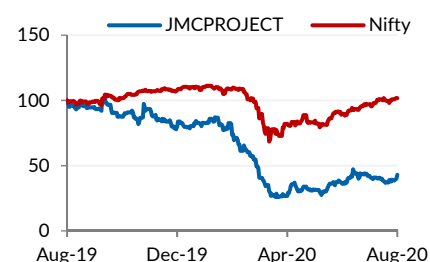
Upside 24.3%

HIGHLIGHTS	<ul style="list-style-type: none"> ✓ JMC Projects delivered subdued performance during Q1 FY21 with standalone revenues declining 48% yoy (to Rs.4.7bn). The execution was impacted due to COVID-19 related shutdown with disruptions in labor/raw material availability. ✓ At the operating level, margin declined to 5.9% primarily due to lower execution and continued fixed costs. However, with several costs cutting initiatives and improved business mix, the management expects normalized level of margins going forward. ✓ JMC has received Rs.20.1 bn worth of orders during Q1 FY21, which leads to a robust order book position of Rs.114.2bn. ✓ Toll collective average per day in its BOT assets declined to Rs.3.7mn during Q1 FY21 (down from Rs.5.9mn registered during Q1 FY20) largely impacted due to lockdown and restrictions on vehicle movements. The management expects normalcy by Q3 FY21. ✓ The company is in advanced stage of discussion with lenders to restructure debt profile of 2 BOT assets. The management expects significant progress by H2 FY21.
Our View	<ul style="list-style-type: none"> ✓ With execution picking up in recent months, we expect company to make up for significant part of revenue that would be lost due to COVID related shutdown. Overall, we expect a de-growth of 11% during FY21 followed by a 18% growth in FY22. ✓ The company has taken various cost cutting measures during Q1 FY21. We expect operating margin to improve gradually as execution ramps up in subsequent quarters. For FY22, we expect superior revenue mix and cost cutting measures to drive profitability. ✓ The company is expected to further invest Rs.500mn in its Road BOT assets during FY21. Net Debt at FY21-end is likely to remain at current levels.
Valuation	<ul style="list-style-type: none"> ✓ We largely maintain our revenue estimates for FY21E/FY22E as execution is expected to ramp up soon. The new orders would also contribute to revenues in H2 FY21 and FY22. ✓ Refinancing of certain BOT assets would also aid in reducing debt. ✓ We maintain our BUY rating on the stock for revised target of Rs.65 (based on SOTP valuation).
Risk to our call	<ul style="list-style-type: none"> ✓ Slower than expected ramp up in execution.

Stock data (as on Aug 13, 2020)

Nifty	11,300
52 Week h/l (Rs)	128 / 30
Market cap (Rs/USD mn)	8739 / 117
Outstanding Shares (mn)	168
6m Avg t/o (Rs mn):	9
Div yield (%)	1.3
Bloomberg code:	JMCP IN
NSE code:	JMCPROJECT

Stock performance



	1M	3M	1Y
Absolute return	3.3%	38.5%	-56.4%

Shareholding pattern (As of Jun'20 end)

Promoter	67.4%
FII+DII	19.0%
Others	13.6%

Δ in earnings estimates

	FY20	FY21e	FY22e
EPS (New)	9.4	4.4	7.5
EPS (Old)	9.4	5.6	7.5
% change	-	(21.5)	-

Exhibit 1: Result table

Y/e 31 Mar (Rs mn)	Q1 FY21	Q1 FY20	yoy(%)	Q4 FY20	qoq (%)
Revenue	4,704	9,039	(48.0)	9,386	(49.9)
Operating Profit	279	1,004	(72.3)	1,065	(73.8)
OPM (%)	5.9	11.1	-518 bps	11.3	-542 bps
Other Income	46	49	(5.3)	83	(44.4)
Depreciation	(343)	(264)	29.8	(333)	3.1
Interest	(286)	(304)	(6.0)	(338)	(15.4)
Exceptional item	-	-	-	(795)	-
PBT	(305)	484	NA	(319)	(4.3)
Tax	87	(128)	NA	(25)	NA
Reported PAT	(218)	355	NA	(344)	NA
Adjusted PAT	(218)	355	NA	451	NA

Source: Company, YES Sec – Research

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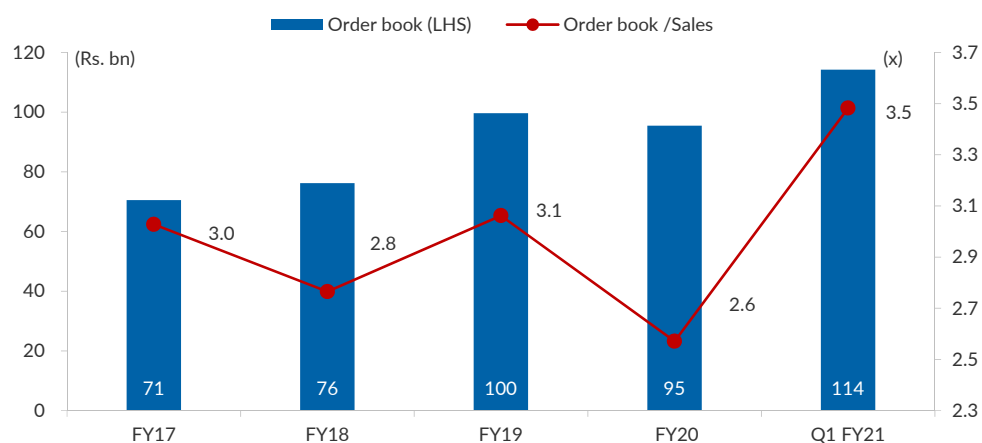
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CON-CALL HIGHLIGHTS

- ✓ JMC's performance during Q1 FY21 was primarily impacted owing to Covid-19 pandemic. However, the company has witnessed partial recovery in May'20 and good recovery from June onwards. Currently, most of its sites are operational and operating at ~75% efficiency levels.
- ✓ Despite sharp decline in revenues witnessed during Q1 FY21 and execution challenges in the near term, the management has retained their topline guidance of ~5% yoy growth for FY21 - to be aided by higher traction in infrastructure and water segment.
- ✓ Operating margin has declined sharply to 5.9% (down 518bps) impacted by subdued revenues and higher fixed cost. However, the company has undertaken various cost cutting initiatives during the quarter and expects margin to improve to normalized level of 10.5-11% in next couple of quarters.
- ✓ JMC's order book at the end for Jun'20 remains robust at Rs.114.2bn, backed by Rs.20.1bn of order inflows secured in Q1 FY21. The company has also received orders worth Rs.13.6bn post Q1 FY21. In addition, the company stands L1 at projects worth Rs.17bn (including international orders of ~Rs.8bn).
- ✓ JMC has already achieved their FY21 inflow target of ~Rs.50bn (including L1 position). With strong bid-book of ~Rs.60bn (~60%/~40% mix between Infrastructure/B&F segment respectively), the management expects decent inflows during H2 FY21.
- ✓ Collective average per day toll collection in its BOT assets declined to Rs.3.7mn during Q1 FY21 (down from Rs.5.9mn registered during Q1 FY20) largely impacted due to lockdown and restrictions on vehicle movements. The management expects normalcy by Q3 FY21.
- ✓ Total Equity investment in the toll road assets stood at Rs.8.2bn by the end of Jun'20. The management expects ~Rs.500mn support to the SPVs during FY21E (no investment done in Q1 FY21).
- ✓ JMC is in discussion with lenders to restructure debt profile of Kurukshetra Expressway and Wainganga Express, and the process is in advanced stage. Any development here would aid company in reducing in cash outgo. The management expects process to get complete during H2 FY21.
- ✓ Net standalone debt at the end of Q1 FY21 stood at Rs.8.2bn (up Rs.830mn qoq). However, the management expects net debt to remain at ~Rs.8bn by FY21-end. Also, the company has plans to become net free by FY23-end at standalone level.

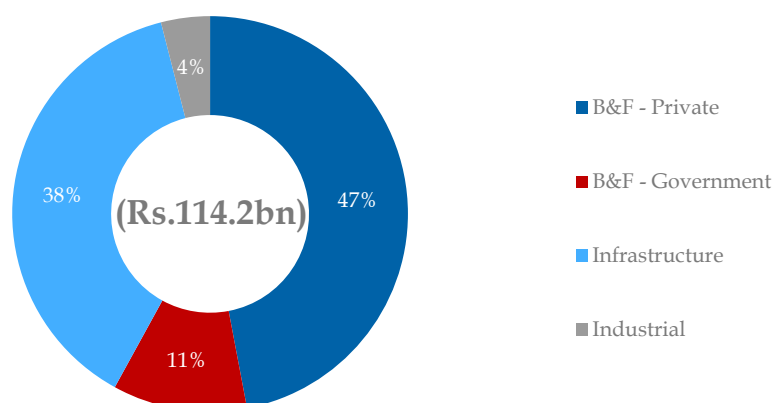
CHARTS

Exhibit 2: Strong order book position



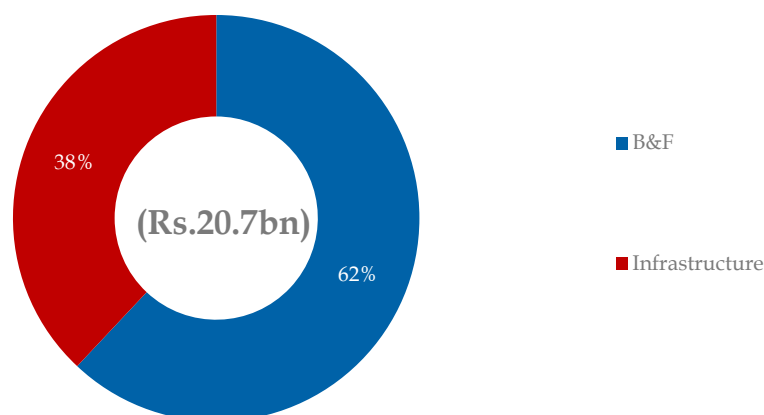
Source: Company, YES Sec – Research; * excludes L1 position worth Rs.17bn and projects won after Jun'20 end

Exhibit 3: B&F business forms 61% of overall order book*



Source: Company, YES Sec – Research; * excludes L1 position worth Rs.17bn and projects won after Jun'20 end

Exhibit 4: B&F contributed majority to the Q1 FY21 order inflows *



Source: Company, YES Sec – Research; * excludes L1 position worth Rs.17bn and projects won after Jun'20 end

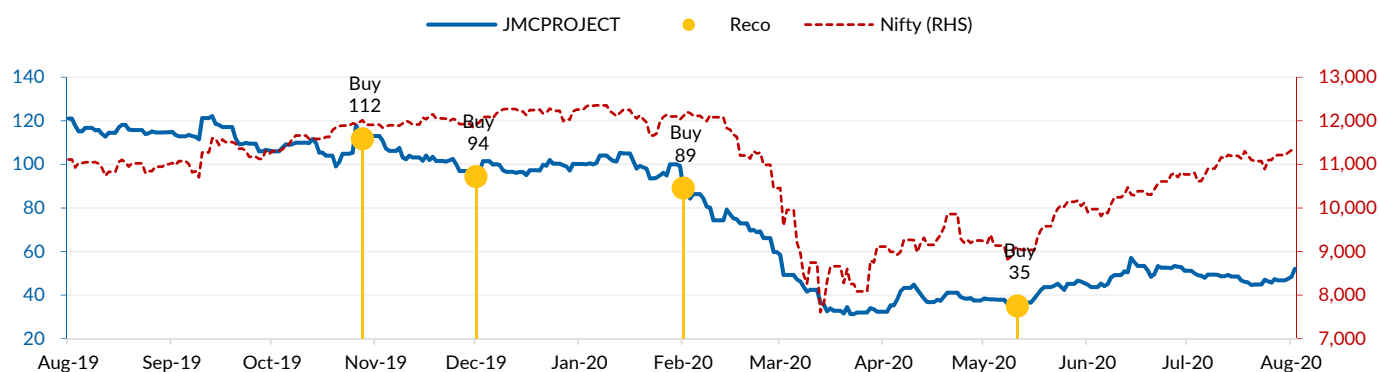
JMC Projects (India) Limited

Exhibit 5: Financial Summary (Standalone)

Y/e 31 Mar (Rs m)	FY19	FY20	FY21E	FY22E
Revenues	32,529	37,130	33,046	38,994
yoy growth (%)	18.0	14.1	(11.0)	18.0
Operating profit	3,369	4,114	3,195	4,081
OPM (%)	10.4	11.1	9.7	10.5
Reported PAT	1,421	790	738	1,262
Adjusted PAT	1,421	1,584	738	1,262
yoy growth (%)	33.9	11.5	(53.4)	70.9
EPS (Rs)	8.5	9.4	4.4	7.5
P/E (x)	6.1	5.5	11.8	6.9
EV/EBITDA (x)	4.6	3.8	5.1	4.0
Debt/Equity (x)	0.8	0.8	0.8	0.7
RoE (%)	16.6	8.3	7.4	11.6

Source: Company, YES Sec – Research

Recommendation Tracker



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